

Message Text

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ACTION EB-07

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FM AMEMBASSY BUCHAREST

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E.O. 11652: N/A

TAGS: EEWT, RO

SUBJ: LONG-TERM COOPERATION AGREEMENT: EMBASSY PROPOSALS

REF: BUCHAREST 0314, 75 BUCHAREST 5392

1. SUMMARY. EMBASSY PROPOSES FOR WASHINGTON CONSIDERATION POSSIBLE WAY OF TREATING MFN, GSP, AND CONCESSIONAL CREDITS IN LONG-TERM AGREEMENT. WE ALSO WISH TO ALERT WASHINGTON TO EXCHANGE RATE PROBLEM WHICH MAY WARRANT CLARIFICATION OR FURTHER REFINEMENT OF ARTICLE VI OF TRADE AGREEMENT. END SUMMARY.

2. GIVEN GOR'S PERSISTENT DRIVE TO SECURE PREFERENTIAL TREATMENT FROM US AND OTHER DEVELOPED WESTERN TRADING PARTNERS, WE ANTICIPATE THAT FURTHER ROMANIAN REACTION WILL REAFFIRM GOR'S DESIRE TO HAVE SOME PROVISIONS IN LONG-TERM AGREEMENT RELATING TO MFN, GSP AND CONCESSIONAL CREDITS. WHILE THERE MIGHT BE SOME COSMETIC MODIFICATION IN GOR FORMULATION, RECENT EXCHANGE ON THESE SUBJECTS WITH MFT OFFICIALS (BUCH 0314) HAS LEFT US WITH IMPRESSION THAT GOR WILL NOT READILY ABANDON BASIC OBJECTIVE.

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3. TO SUSTAIN PROGRESS TOWARD GOAL SET BY PRESIDENT AND

SECRETARY AND TO SERVE AS BARGAINING BASIS FOR POINTS WE WANT TO INCORPORATE IN AGREEMENT WE BELIEVE IT WOULD BE USEFUL IF INTERESTED WASHINGTON AGENCIES WERE TO EXPLORE POSSIBLE AVENUES FOR COMPROMISE. ADMITTEDLY HAVING FEW DETAILS OF OUR POLITICAL AND LEGAL CONSTRAINTS, WE WONDER WHETHER IT MAY BE POSSIBLE TO ADAPT AND QUALIFY PHRASEOLOGY OF PROTOCOL ON DEVELOPMENT OF AGRICULTURAL TRADE. WE COULD ENVISAGE SPECIFIC APPROACHES ALONG FOLLOWING LINES.

A. MFN. VERSION OF SECOND PARAGRAPH OF ARTICLE V OF PROTOCOL ON DEVELOPMENT OF AGRICULTURAL TRADE MODIFIED TO REFER TO IMPORTS AS WHOLE RATHER THAN AGRICULTURAL IMPORTS WOULD SEEM TO CONTAIN ADEQUATE CAVEATS TO SERVE AS MODEL.

B. GSP. BY LINKING OUR ACTION TO PROVISIONS OF TRADE ACT IT APPEARS FEASIBLE TO DEVELOP APPROPRIATELY QUALIFIED FORMULATION SUCH AS: "SUBJECT TO THE PROVISIONS OF TITLE V OF THE TRADE ACT, THE UNITED STATES WILL EXTEND TO THE SOCIALIST REPUBLIC OF ROMANIA THE TARIFF TREATMENT ACCORDED UNDER THE UNITED STATES SYSTEM OF GENERALIZED PREFERENCES FOR THE PERIOD ROMANIA IS CONSIDERED BY THE UNITED STATES TO BE A DEVELOPING COUNTRY".

C. CONCESSIONAL CREDITS. AGAIN USING AGRICULTURAL TRADE PROTOCOL AS PRECEDENT (ART III) WE MIGHT STATE: "ON THE BASIS OF THE MOST-FAVORED-NATION TREATMENT ACCORDED ROMANIA UNDER THE U.S.-ROMANIAN TRADE AGREEMENT, THE UNITED STATES WILL CONSIDER ROMANIA ELIGIBLE FOR FINANCING OFFERED BY THE COMMODITY CREDIT CORPORATION, THE EXPORT IMPORT BANK AND THE OVERSEAS PRIVATE INVESTMENT CORPORATION".

3. WITH REFERENCE TO OTHER USG OBJECTIVES WE HAVE GROWING FEELING THAT OUR INTERESTS MIGHT BE SERVED BY HAVING SOME ADDITIONAL FINANCIALLY-RELATED ASSURANCES IN LONG-TERM COOPERATION AGREEMENT. RECENT INSTANCE OF U.S. FIRM (WHICH HAS REQUESTED WE NOT INTERVENE) BEING SADDLED WITH BILL FOR LOCALLY-PERFORMED SERVICES CONVERTED AT OFFICIAL RATE (4.97 TO 1) SUGGESTS THERE MAY BE UNHAPPY DEGREE OF DISCRETION IN THIS AREA. IT MAY THEREFORE BE IN OUR INTEREST TO GO BEYOND PROVISIONS OF OUR PROPOSED ARTICLE III 2 B AND TO NAIL DOWN MEANING OF LAST LIMITED OFFICIAL USE

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SENTENCE OF PARA 2 OF ARTICLE VI OF TRADE AGREEMENT. WE WILL UTILIZE OUR NEXT MEETING TO REQUEST CLARIFICATION ABOUT EXCHANGE RATES APPLICABLE UNDER DIFFERING CIRCUMSTANCES ON WHICH BASIS WE WOULD HOPE TO MAKE A SPECIFIC RECOMMENDATION.
BARNES

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